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UNFPA INTERNAL AUDIT AND OVERSIGHT ACTIVITIES IN 2003

Report of the Executive Director

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1. Pursuant to a request made by the Executive Board at its second regular session in 1996, the Executive Director is pleased to present to the Board a summary of the internal audit and oversight activities of UNFPA in 2003. The present report outlines the key issues in the findings of internal audits and in the oversight activities of the Division for Oversight Services that was established in January 2003, as well as measures taken to address recommendations of previous audits.

I. ORGANIZATION AND RESOURCES

2. Within the context of the Executive Board's approval of the revised biennial support budget for the 2002-2003 biennium, a new Division for Oversight Services was established with effect from January 2003. The Division consists of two Branches: the Oversight and Evaluation Branch and the Audit Services Branch, formerly the UNFPA Audit Section in the UNDP Office of Audit and Performance Review. Authorized posts in the Oversight and Evaluation Branch included one Chief, two Evaluation Advisers and two support staff and in the Audit Services Branch, one Chief, four Audit Specialists and two support staff. Internal audit services are also provided through contracted audits in the Asia and the Pacific and Arab States regions. The contract, at a cost of some $176,000, was managed directly by the Audit Services Branch. In addition, UNFPA allocated $304,500 through the annual subvention to UNDP to cover the cost of audit services provided by the UNDP Regional Audit Services Centres (RASCs) in 2003. Specifically, the resources paid for Appointments of Limited Duration contracts administered by the RASCs in South Africa, Panama and Malaysia. Moreover, the Audit Services Branch used individual consultants to supplement its capacity and to expand audit coverage. Despite these various measures, internal audit activities were limited by staffing constraints in the Audit Services Branch due to recruitment delays and by the repositioning exercise conducted by the UNDP Office of Audit and Performance Review that affected outsourced services provided by the RASCs.

II. INTERNAL AUDIT AND REVIEW ACTIVITIES

3. The internal audit and review activities carried out during 2003 included the following:

(a) Management audits of four country offices (in the Africa region and the Arab States and Europe region) and one functional area at headquarters conducted by the Audit Services Branch with the assistance of the RASC in Malaysia and one consultant;

(b) Follow-up on the implementation of previous audit recommendations concerning two divisions at headquarters;

(c) Review of 473 audit reports covering 2002 activities for projects executed by governments and non-governmental organizations (NGOs) carried out by the Audit Services Branch with the assistance of consultants;

(d) Management audits in seven country offices in the Africa region undertaken by the RASC in South Africa;

(e) Management audit in one country office in the Asia and the Pacific region carried out by the RASC in Malaysia;

(f) Management audits in four country offices in the Latin America and the Caribbean region undertaken by the RASC in Panama;

(g) Contracted audits in six country offices in the Asia and the Pacific region and three country offices in the Arab States and Europe region.

4. The annual audit work plan was prepared using a risk-analysis approach, taking into account inputs from the Geographical Divisions. Risk factors applied in preparing the 2003 audit plan include: status of the operating fund account balance, status of submission of financial reporting forms, support of construction in the programme, extent of government execution, extent of UNFPA execution, support to subcontracts, findings of project audits and past audit ratings. This more focused approach enables UNFPA to derive the greatest benefit from limited audit resources. Audit plans were revised periodically to accommodate special requests from management, and to reflect changing circumstances, particularly in the field.

5. Continuous staff development is important to meet current professional challenges. In this respect, Audit Services Branch staff received training on security and use of new computer software and attended presentations on specific subjects of importance to the auditing profession. Following a proactive and preventive approach, the Branch also provided advice to country offices and headquarters units on their follow-up actions to audits. In addition, the Branch provided advice on audit requirements for nationally executed projects and was regularly consulted whenever changes to procedures were contemplated.

III. PRINCIPAL AUDIT FINDINGS AND FOLLOW-UP ACTIONS TAKEN

6. Of the 23 reports issued in 2003, the level of internal controls and the compliance with financial and administrative requirements were found to be satisfactory in seven offices. Eleven offices were rated partially satisfactory and four offices/division were rated deficient. One management audit/policy application review report did not include a rating. A total of 899 recommendations were issued during the year, broken down as follows:

Area	No. of recommendations
Organization and staffing	18
Programme matters	256
Financial operations	134
Personnel administration	132
General administration	247
Office automation	112
Total	899

Summary of key issues

7. The following is a summary of issues, classified by subject, raised in the audit reports. It should be emphasized that the observations apply only to some and not to all the audited units. Audit findings are closely reviewed by UNFPA at the most senior level and follow-up actions are undertaken by the concerned parties and monitored by the respective divisions and the Division for Oversight Services. It should be noted that the audits cover different countries each year. Therefore, the repetition of issues from year to year does not necessarily signify that corrective actions had not been taken. Nonetheless, it is recognized that the implementation of audit recommendations requires continuous compliance and sustained monitoring. UNFPA is instituting several measures to strengthen its internal control systems. One such measure is the creation of operations manager posts in over 40 country offices. It is expected that this enhancement of managerial capacity will help to reinforce more consistent exercise of controls in the field. The establishment of the Audit Services Branch within UNFPA also facilitates consultation between managers and internal auditors concerning control issues.

Organization and staffing

8. Audits found that in some country offices organizational charts were not complete and that improvements in the workload distribution were needed to maximize efficiency. In a couple of instances audits noted that job descriptions were not updated, and that some offices experienced staffing constraints due to delays in recruitment.

9. The implementation of the country office staffing typology initiated in July 2003 is expected to address these issues. As part of the Fund's transition process, a typology of different country office structures was developed to strengthen the Fund's institutional capacity, particularly at the field level. Country office functional requirements were identified and generic job descriptions as well as competency profiles developed to reflect the Fund's new strategic direction, the outcome of the transition exercise and the organization's corporate values and priorities. UNFPA Representatives were encouraged to reconfigure their office structure based on the new typology to better meet the programmatic and operational challenges while taking into consideration that the structure financed from the UNFPA biennial support budget is fixed. In some instances, country offices have employed the services of local human resources firms to

help identify suitable candidates and expedite recruitment. To further strengthen country offices, the typology also introduced the establishment of programme posts based on programme needs and funded from programme resources to support programme delivery.

Programme matters

10. In some instances, the standard basic assistance agreement covering UNFPA activities in the country had not been signed. The concerned offices have since taken steps to conclude the standard basic agreements. Project activities were sometimes initiated prior to obtaining the requisite signatures. The launch of Atlas ERP (the Enterprise Resource Planning system) with effect from January 2004 enables better monitoring of programme approval processes. Country office audits noted the absence of specific guidelines on the use of preparatory assistance projects and the lack of mechanisms to monitor receipt of in-kind contributions from Governments. Subsequently, country offices have committed to tracking the extent to which Governments have met their obligations. In addition, audits revealed that in some instances project funds were used to finance core office operations to supplement overstretched office capacities. With the use of project resources for office activities clearly defined under the new typology, it is expected that the number of such instances will be reduced in the future.

11. Audits found that, for the most part, annual programme expenditures did not exceed authorized annual expenditure ceilings. In some measure this is attributable to the close monitoring of expenditures against set ceilings by the Fund's Management Committee, established in 2003. In future, built-in controls in the Atlas ERP will also prohibit offices from exceeding their established ceilings. Audits indicated that some offices did not provide headquarters with the requisite financial reports on time; and that the utilization of umbrella project funds sometimes was not in accordance with the policies and procedures delineated in the Fund's Programme Manual. In June 2003, UNFPA issued new guidelines on the use of the programme coordination and assistance (formerly known as umbrella project) component of country programmes clarifying its purpose and scope. The launch of Atlas ERP also enabled both the field and headquarters to have access to real time financial data.

12. Regarding programme and project monitoring, in some cases the requirements for appraisal committees to review subprogrammes were not met, even though stakeholders had been involved in their formulation. In a few other cases country offices had not regularly documented field visits and prepared annual project progress reports. Country offices have since committed to conducting more frequent visits and ensuring that monitoring is a key feature in their office management plans. The Division for Oversight Services has also been more proactive in providing technical support to country offices in programme monitoring. In addition, the Geographical Divisions at headquarters have committed to more systematic oversight of the monitoring activities of the country offices.

13. There were some delays in complying with project closing procedures and in systematically documenting the transfer of equipment once projects were operationally completed. Country offices are not entirely responsible for the delays in closing projects as some

of the documentation originates from the executing agencies. The fact that some projects were executed in either remote or unsafe locations was also a contributing factor.

Financial operations

14. Audits revealed that there were instances where cash advances needed to be more closely monitored. It is recognized that UNFPA Representatives need to be more prudent in the use of cash advances and more diligent in monitoring their use. The status of allotment reports for biennial support budget reporting were not always received by headquarters in a timely fashion, and in three cases bank accounts were opened without the authorization of headquarters. Subsequently, the concerned offices have agreed to close the bank accounts as soon as bank reconciliations are carried out. Audits noted that some offices had not secured written authorization for the redeployment of funds within budget groups, and that in a few other cases transactions recorded in the status of allotment reports were not reconciled to the accounts submitted by UNDP. Under Atlas ERP the approval process for redeployment of funds and for payments will be documented and the need for reconciliation of the status of allotment reports to UNDP records will no longer be applicable.

15. Controls over petty cash (amounts under $600 with no single transaction exceeding $100) were not always adequate. Country offices were advised to designate the petty cash custodian in writing, discontinue the practice of including personal funds with office funds and procure a safe for storage of office valuables. Assurances were received subsequently that the necessary corrective actions had been taken. Some audits revealed that the requirement for cash counts is not documented. This requirement will be established and included in the next revision of the guidelines on the management of petty cash.

Personnel administration

16. In a number of cases, procedures governing the selection, administration and performance assessment of personnel under service contracts and special service agreements were not systematically followed. The concerned offices agreed to strengthen controls over service contracts and special service agreements and to comply with the requirements. This is an area that will require continuous oversight by country office management.

17. In several instances country offices did not comply with the deadline for completion of the performance appraisal review process. Audits also noted that in a few cases, offices needed to designate a staff member to control the leave monitor's attendance and ensure that leave requests are authorized prior to leave being taken. Corrective actions were taken in these cases.

General administration

18. Audits found that some offices did not strictly adhere to the procedures for obtaining quotations for the procurement of goods worth between $2,500 and $30,000, and for the segregation of duties in procurement activities. Also, in a number of offices, receiving and

inspection reports were either not prepared or not submitted to headquarters within the three weeks of the receipt of goods as required. The Fund's Procurement Services Section sends regular reminders to country offices to submit receiving and inspection reports. As a result, there has been some improvement in the timeliness of these reports. With the implementation of Atlas ERP, receiving and inspection reports will automatically be logged and tracked. Senior management has also determined that the submission of receiving and inspection reports will be taken into account in assessing the performance of country office management.

19. In some instances, common services agreements for the services provided by UNDP had not been finalized. UNFPA and UNDP have since reached an agreement on cost recovery for support services to UNFPA country offices. This global cost recovery agreement went into effect retroactively from 1 January 2003 and superseded all local agreements. It was anticipated that the costs therein would have to be reviewed in due course as a result of the implementation of Atlas ERP. In several offices, inventory reports were either incomplete or not prepared, and the disposal and acquisition of equipment were not reflected in the inventory records. Offices committed to obtaining the missing information and to including the physical count of inventory in their Office Management Plans.

20. Although the situation has improved since last year, vehicle records were often not reviewed on a regular basis, while in some instances controls over fuel consumption were inadequate. However, compared to the past, there were fewer instances of the private use of office vehicles and controls over telephone calls had improved. In 2003, UNFPA issued a circular reiterating and clarifying existing guidelines governing the official use of office vehicles and office communication facilities.

21. Audits determined that in some instances travel services were not covered by a contract, although a competitive process had been initiated with other United Nations organizations to identify a suitable travel agency. Also, some travel claims and supporting documentation were not provided within two weeks of completion of travel as required. Subsequently, the outstanding travel claims were obtained and the concerned staff was reminded to submit travel claims in a timely fashion.

Office automation

22. For a number of country offices, issues pertaining to office automation included incomplete or nonexistent formal disaster recovery plans; backups not kept offsite; antivirus software not installed; inadequate information security; and the use of unlicensed software. Subsequently, offices agreed to issue a circular to all staff prohibiting the installation of unlicensed software on office computers and urging that all software be covered by a license. Steps to ensure the security of data and equipment were also enacted.

Enterprise Resource Planning system

23. Wave I of Atlas ERP was launched in January 2004 and this phase included several modules: general ledger, accounts payable/receivable; treasury; purchasing; grants; projects; contracts; asset management; and commitment control. As such, a number of issues raised in 2003 such as implementation of the electronic transfer of data between UNDP and UNFPA, problems encountered with the implementation of version 2 of the United Nations Integrated Field Office System (UNIFOS) used by UNFPA, the deadline for the submission of the status of allotment report, and the requirement for pre-numbered purchase orders are no longer applicable.

Management audit of travel undertaken by headquarters staff

24. This was the first internal audit of official travel undertaken by headquarters staff. The management of mission travel undertaken by headquarters staff for the years 2001 and 2002 was found to be deficient. Issues identified were as follows:

(a) More discipline was needed in the planning and management of staff travel. Areas of concern included certification, approval and authorization of travel requests; the management and control of travel claims; and control over programme-funded travel;

(b) Managers needed to be more stringent in weighing the relative priorities in the use of staff time in planning and requesting staff travel;

(c) Travel reporting and the results of staff travel were not adequately monitored or analyzed in order to establish priorities for future travel;

(d) The impact of staff travel, especially of managers, on the management and productivity of organizational units was not assessed in requesting or authorizing travel.

25. UNFPA travel guidelines were revised based on the audit recommendations. A circular was issued in 2003 clarifying the criteria and the new requirements related to official travel. A new web-based system is being tested for compatibility with Atlas ERP and is expected to be rolled out by April. It will contain basic information on travel, allow browsing through mission reports, and will send automatic reminders to staff who do not submit their mission reports on time. It should be recognized that as a field-oriented organization, and given the rather limited capacity in most country offices, UNFPA headquarters staff often need to undertake travel in support of field activities. Management realizes that there is nonetheless a need to be more results oriented in authorizing and managing staff travel to ensure value for money and to avoid adverse impact on headquarters-based activities.

Follow-up on implementation of recommendations from prior audits

26. In May 2003, the Audit Services Branch carried out a review of the implementation of recommendations from the audits of the Technical Support Division and the Information, Executive Board and Resource Mobilization Division that had been performed in 2001 and 2002.

27. The Technical Support Division has taken follow-up action on the recommendations of the management audit. For instance, the Division reports that it expects to issue guidelines for the management of the intercountry programme by the end of the first quarter in 2004. These guidelines will include guidance on the preparation of project documents, letters of understanding, and project reporting among others. The Division will also financially close most projects from the previous programme cycle. Allocations and expenditures under the Division ceiling were monitored on a regular basis by the Division so as not to exceed the ceiling. Moreover, under Atlas ERP it will not be possible to expend beyond the given ceiling. Two posts previously financed under projects that auditors recommended should be funded as core posts were recently absorbed by the biennial support budget. Some audit reports that were not prepared at the time of the audit have subsequently been received, and letters of understanding were signed for some projects. The Audit Services Branch is in continuous dialogue with the Division management concerning required action to address audit recommendations.

28. The Information, Executive Board and Resource Mobilization Division took steps to address areas identified by the audit report as requiring improvement. As a result, efforts were made to ensure that projects managed by the Division have adequate supporting documentation, including contracts and letters of understanding signed by the concerned parties. Moreover, where appropriate, cooperation agreements outlining the basis for partnerships have been completed. Action had been taken to ensure that NGOs receiving grants from UNFPA are registered, and have signed agreements with the Fund. Also, attention is paid to monitor that trust fund contributions are covered by financing agreements. The Audit Services Branch will conduct a systematic follow-up with the Division in 2004 to verify that control issues have been fully addressed.

29. In 2003, the Geographical Divisions were given access to the comprehensive audit and recommendation database system (CARDS), a web-based audit recommendations management system, and charged with monitoring the status of implementation of audit recommendations in their respective regions. This places accountability with the Division management to ensure that audits are followed up and to detect lack of action or constraints in order to provide the necessary support and guidance to redress the situation. It also enables the Directors to take this into account in the performance assessment of staff.

30. An analysis conducted by the Divisions of this first round of reporting on the status of implementation of internal audit recommendations by the country offices in the regions revealed that for the majority, action had been completed or was in process. Among reporting offices, completed action on recommendations ranged from over 60 to 100 per cent. Due account should be taken that audit reports were issued throughout the year, hence lower rates of implementation

may be the result of reports issued late in the year. It was noted that particular attention had been paid to implementing audit recommendations classified as high priority. However, in a number of instances, country offices had not used the CARDS database system to record follow-up actions, due in some instances to technical difficulties. The Audit Services Branch is following up with those encountering software problems to facilitate better monitoring and reporting in the future. Constraints in implementing audit recommendations cited by country offices included: recommendations that are disputed; recommendations that require a coordinated response involving several different parties; and recommendations in the financial management and reporting areas that the introduction of Atlas ERP will render obsolete. In their analysis, Geographical Divisions also recognized that a large portion of the audit recommendations require continuous compliance with requirements, further underscoring the importance of regular reinforcement from the Division management and follow-up whenever Division staff visit country offices. Following up on previous audits is also an integral part of the programme for subsequent audits.

IV. REVIEW OF AUDITS OF PROJECTS EXECUTED BY GOVERNMENTS AND NON-GOVERNMENTAL ORGANIZATIONS

31. Overall audit coverage for expenditures through government and NGO implementation in 2002 was 87 per cent. Eighty-three per cent of the audit reports were received late and 29 per cent of the reports submitted to headquarters had qualified opinions. Weak internal controls were the main reason for the audit qualifications.

32. The Executive Board may wish to note that, as a result of the tremendous efforts made to increase project audit coverage, the Fund's financial statements for the 2000-2001 biennium received an unqualified audit opinion from the United Nations Board of Auditors. With the expanded capacity in Audit Services Branch approved by the Executive Board in the biennial support budget 2004-2005, the Branch now has staff dedicated to monitoring and analyzing project audit reports. The process involved the maintenance of databases on audit plans, audit reports and evaluations, review of audit reports by consultants and staff, followed by the preparation and issuance of evaluations. Regular follow-up with country offices and divisions was also performed.

Adequacy of the audit plans submitted by the country offices/divisions

33. Offices were required to submit their audit plans by 31 October showing details of the projects to be audited, executing agencies, estimated expenditures to be incurred, the terms of reference for the audits, and the estimated audit costs. Audit plans were satisfactory for 20 offices, partially satisfactory for 26 offices and deficient for 29 offices. The audit plans that were rated partially satisfactory did not include some of the above information while those rated deficient either did not provide most of the above information or were not submitted. The Audit Services Branch followed up with country offices and divisions to ensure that the required information is included in subsequent audit plans.

34. The review of 473 audit reports for projects executed by governments and NGOs in 73 countries and two Geographical Divisions indicated the following:

35. Adequacy of audit scope. Offices are required to provide the auditors with the audit requirements set out in the Financial Manual. Audits should address areas such as: project internal controls, accounting books and records, certification statements, and the periodic financial reports. The audit scope was satisfactory in 57 offices; partially satisfactory in 12 offices and deficient in six offices. The audit reports that were rated partially satisfactory had not addressed some of the above areas while those rated deficient had not addressed any or most of the above areas. The Audit Services Branch provided country offices with specific feedback on the weaknesses found in an effort to ensure that future audit reports more adequately cover the scope required by the Financial Manual.

36. Completeness of audit reports. Audit reports should convey the auditors' findings, recommendations and overall opinion, as well as the executing agencies' management comments. Audit reports should also be accompanied by the certified copies of all the financial forms and where an executing agency is also managing funds provided by other donors, a separate audit report is required for the funds provided by UNFPA. Reports submitted were complete in 13 offices. Reports did not meet some of the requirements in 55 offices and they were deficient in seven offices. In its feedback to country offices, the Audit Services Branch highlighted the missing components in the evaluated audit reports.

37. Certification of financial forms. Financial reports should contain certification statements signed by authorized officials of the executing agencies. The purpose of the statements is to certify the propriety of the information contained in the financial reports. Financial reports were properly certified in 54 offices. Some reports were not certified in 13 offices and no reports were certified in eight offices. The concerned offices were duly notified of the need to ensure certification. The Audit Services Branch will continue to monitor this.

Adequacy of the country offices' assessment of the audit reports and action plans

38. The Financial Manual requires country offices to review audit reports and prepare an assessment of their compliance with audit requirements. Where there are adverse audit findings, offices are expected to discuss solutions with the executing agencies and agree on follow-up action plans. The assessment of audit reports and the preparation of action plans were satisfactory in four offices; either the assessment or the action plan was missing in 19 offices; and neither an assessment nor an action plan was available for 52 offices. It appears that in many instances, the UNFPA Representatives focused exclusively on obtaining and forwarding the project audit reports to headquarters and did not assess the reports and submit an action plan as well. The tendency was to draw on the Audit Services Branch's feedback to prepare the action plan afterwards. Efforts made by country offices and executing agencies to implement recommendations made by the auditors of nationally executed projects and strengthen the internal controls for projects were noted.

39. Issues raised in the project audit reports reviewed include:

(a) Bank reconciliations were not performed on a monthly basis in some projects in 18 countries, and supporting documentation was not adequate for some payments in 22 countries;

(b) Financial forms were not submitted to the UNFPA offices on time in some projects in four countries. Also, projects in 29 countries submitted financial forms that were either incomplete or incorrect;

(c) In four offices, advances given to projects were not always based on the activities foreseen in the work plan and large advances were outstanding at the end of the year;

(d) Operating fund accounts were not reconciled with headquarters in five offices;

(e) Competitive procedures were not adequately followed for the procurement of goods and services by projects in 13 countries; and the receipt and inspection of goods was not properly documented by some projects in seven countries;

(f) Inventory records were incomplete for some projects in 22 countries, and in two other countries the auditors could not locate some non-expendable equipment;

(g) Accounting records were not adequately maintained in nine countries;

(h) Budgetary revisions were made without obtaining prior authorization of the UNFPA office in some projects in 17 countries;

(i) Six offices did not adequately follow up on the recommendations made by the auditors of nationally executed projects.

However, it should be emphasized that for the year 2004 and beyond, the Atlas ERP financial and programme management systems will enable headquarters to deal effectively with most of the issues raised above. For example, bank reconciliations and project advances can be monitored by headquarters and inventory records, budget revisions and operating fund account balances will be reviewed on a continuous basis to ensure compliance with UNFPA policies and procedures.

40. Offices generally appreciate receiving feedback from the Audit Services Branch, as it enables them and the project authorities to better address identified weaknesses. Feedback also served to impress upon the offices the importance of planning timely project audits.

V. REVIEW OF UNFPA REGIONAL PROGRAMMES (2000-2003)

41. In 2003, UNFPA took a comprehensive audit approach to reviewing the 2000-2003 regional programmes for Africa, Asia and the Pacific, Arab States and Europe, and Latin America and the Caribbean through a combined internal audit/policy application review exercise. A team of staff from the Audit Services Branch and the Oversight and Evaluation Branch undertook the review. The review analyzed compliance with existing procedures and evaluated the quality and results orientation of the regional programme management processes.

42. The review found that significant steps had been taken to ensure the relevance of regional programmes to organizational and country-level needs in the areas of reproductive health, population and development through a participatory process in programme formulation. A number of innovative practices with respect to participatory situation analysis and project design, results-oriented monitoring and evaluation had been implemented, particularly in the case of adolescent reproductive health projects. In addition, a results-oriented monitoring and evaluation framework had been established to enable tracking of results. At the same time, the review indicated that more concerted efforts were needed to: ensure compliance with programme and project management procedures; assess systematically the capacity of organizations selected to implement regional projects; improve the effectiveness of the results-based monitoring system; improve the number and quality of regional project/programme evaluations; and share and learn from experiences of programme implementation.

43. The findings of the review and many of its recommendations were utilized in the development of the 2004-2007 regional programmes and the revision of the intercountry programme guidelines. In addition, follow-up to specific actions required by the concerned divisions is being closely monitored by management.

VI. OVERSIGHT MECHANISMS

44. In its continuing efforts to improve its oversight and accountability framework, in 2003 UNFPA established three new organizational committees: the Oversight Committee; the Management Committee; and the Programme Committee. The purpose and activities of these oversight mechanisms are summarized below.

The Oversight Committee

45. The Oversight Committee was established for purposes of ensuring the effectiveness of the organization's accountability systems and processes. The Executive Director chairs the Committee and its membership includes the Deputy Executive Director (Programme), the Deputy Executive Director (Management), the Director for the Division for Management Services, the Director for the Division for Oversight Services, as well as an external member, the Director of Internal Audit, UNICEF.

46. The Oversight Committee met several times in the course of 2003. It reviewed the summary results and trend analyses of the findings of audits undertaken in recent years as well as policy application reviews conducted by the Division for Oversight Services in the period 1999-2002, and assessed the status of the required follow-up actions. Recurrent and pressing issues were identified and concerned managers were directed to take the necessary follow-up actions, and monitor and report on their progress. In particular, the concerned divisions were reminded of the need for timely reports on the status of implementation of audit recommendations and on constraints, if any, to implementation.

47. The Oversight Committee members also reviewed a draft fraud policy statement prepared by a working group created to prepare a joint fraud prevention strategy for UNDP, UNOPS and UNFPA, and took decisions on certain key issues that had arisen in adapting the policy statement to the UNFPA context. In particular, it was agreed that the Division for Human Resources should administer the fraud policy, including updating the policy as needed, disseminating the information to staff and concerned parties and providing training on fraud-prevention awareness to staff. In regard to training, it was decided that UNFPA would collaborate with UNDP and UNOPS and other United Nations organizations to benefit from economies of scale. It was also agreed that UNFPA would continue using the services of UNDP and the Office of Internal Oversight Services (OIOS) on a reimbursable basis to carry out investigations.

48. In addition, members were provided with an advance draft of the management letter from the Board of Auditors on the interim audit of UNFPA for the biennium ended 31 December 2003, and requested to take note of the auditors' concerns in preparing management plans for 2004. In its last meeting in 2003, the Oversight Committee endorsed 2004 plans for internal audits, policy application reviews and other oversight activities of the Division for Oversight Services.

The Management Committee

49. The Management Committee was instituted to facilitate decision-making in the management area related to UNFPA operations, both at headquarters and in the field. The Deputy Executive Director (Management) chairs the committee and its members include senior managers representing the Fund's organizational units.

50. In 2003, the Management Committee regularly monitored the status of financial resource utilization and year-end expenditure projections, and recommended corrective and follow-up action if needed. As a direct result of a number of audit observations, the Committee reviewed and clarified guidelines governing the official and personal use of office vehicles as well as office communication facilities, including issues related to eligibility for the provision of cellular phones. To increase email effectiveness, the Committee also reviewed and approved a policy on email usage.

51. In addition, the Management Committee updated policies and procedures related to construction and renovation, and subcontracts and grants for capacity-building. In order to

continue monitoring costs related to construction and ensure compliance with existing procedures, the Committee determined that construction should be assigned separate project identification in Atlas ERP. Procedures related to subcontracts and grants are being simplified, and inconsistencies identified by the Audit Services Branch will be addressed. Revised procedures will be issued in 2004 and included in the Policies and Procedures Programme Manual. The Management Committee reviewed key UNFPA business processes and made recommendations on changes needed in order to rollout the first wave of Atlas ERP.

52. Travel guidelines were also revised on the basis of audit recommendations. The guidelines provided travellers and staff with the most current information on processes for travel plans, travel authorizations, as well as some of the key issues and policies related to official travel. The guidelines placed renewed emphasis on security concerns related to travel, provided clear criteria for travel requests and advocated for the use of video and teleconferencing as a first option in lieu of travel.

The Programme Committee

53. The Programme Committee was created to facilitate the operationalization of the Fund's strategic direction and the promotion of results-based management in programme strategies and operations. The Deputy Executive Director (Programme) chairs the Committee and its members include senior managers from the Geographical Divisions, the Technical Support Division, and the Division for Oversight Services, the Strategic Planning Office and the Humanitarian Response Unit.

54. The Programme Committee met numerous times to discuss a range of policy and procedural issues. In particular, it reviewed and approved revised chapters of the Policies and Procedures Programme Manual. Special attention was given to improving programme design and approval processes and ensuring harmonization with the initiatives led by the United Nations Development Group (UNDG). The Committee also oversaw the development of guidelines for the Fund's Technical Advisory Programme that were issued in 2003, as well as guidelines for a more systematic approach to the development and management of intercountry programme projects. The intercountry programme guidelines will be finalized by the end of the first quarter in 2004.

55. The Programme Committee considered and endorsed the findings and recommendations of the review of the intercountry programme (2000-2003); the suggested framework for the new intercountry programme (2004-2007); and the review of regional programmes (2000-2003). The Committee also discussed follow-up actions to recommendations of thematic evaluations conducted during 1997-2000. In addition, the Committee constituted a forum for the exchange of information related to ongoing harmonization efforts within the UNDG framework.

VII. RECOMMENDATION

56. **The Executive Board may wish to take note of the present report (DP/FPA/2004/6).**

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